



March 25, 2011

Ms. Lynn Hemmings
Senior Chief
Financial Sector Division
Financial Sector Policy Branch
Finance Canada
140 O'Connor St.
Ottawa, Canada K1A 0G5

Dear Ms. Hemmings:

The Canadian Chamber of Commerce is pleased to have the opportunity to provide the perspectives of our members regarding Pooled Registered Pension Plans (PRPPs).

The Canadian Chamber of Commerce is Canada's most representative business organization. Through our network of more than 420 local chambers of commerce and boards of trade, we speak for 192,000 businesses of all sizes, nationwide. The Canadian Chamber of Commerce's mission is to ensure Canada's businesses have the tools they need to succeed at home and in an intensely competitive global economy. We work with the federal government to ensure its policies enable Canada's businesses to maximize their economic and social contribution to our national wellbeing.

The recession's impact on the financial markets has moved the issue of Canadians' retirement savings to the front burners of all governments. Employer-sponsored plans are becoming an increasingly important element in Canada's retirement savings system.

PRPPs – Key Questions for Stakeholders

Rather than answering the specific questions provided to us, our submission addresses issues raised in the questions for which our members have specific views. Our responses focus on small- and medium-sized businesses which, along with their employees, stand to benefit most from PRPPs.

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PRPP Benefits

The Canadian Chamber was pleased that the federal, provincial and territorial finance ministers agreed at their December 2010 meeting to pursue a framework for PRPPS.

Canadian businesses need the flexibility to choose retirement savings solutions that fit their businesses' sizes and resources. At the same time, Canadians' retirement savings and income needs vary significantly. The PRPP concept would offer more options to small and medium-sized businesses many of which have limited, or no, resources to support offering retirement savings plans.

We believe PRPPs would give many businesses the flexibility and tools they need to help their employees save for retirement.

We hope that all levels of government will work together to move this proposal forward. Doing so has the potential to benefit the millions of Canadians who have either no, or insufficient, retirement savings.

All levels of government need to co-operate on establishing nationally-harmonized regulations for PRPPs and commit to timetables for their introduction. Governments also need to ensure the introduction of PRPPs are supported by effective communications and administrative support programs - for employers and employees - to maximize awareness and enrolment.

Investments and Costs

The PRPP should be designed to provide employers and employees with a cost effective retirement savings plan. The plan design should ensure that the cost and burden to employers when joining a PRPP is low and that it is easy for employers to participate and administer.

To ensure competition and low costs it should also be easy for employers to move their plans between financial institutions. This will ensure that costs are low and competitive which will encourage innovation in PRPP options.

The PRPP should be designed to ensure that employees have investment choices sufficiently varied to accommodate their diverse retirement savings needs. Institutions offering PRPPs should be required to monitor the performance of investment choices and ensure that the portfolio of funds provides employees with investment options appropriate for retirement.

Employer Obligations to Offer PRPPs and Auto-enrollment of Employees

Employers should not be required to offer PRPPs. Those employers who do decide to offer a PRPP as a retirement savings option to their employees should not be required to make contributions to them. Employers offering PRPPs should be allowed to automatically enroll their employees to encourage participation. However, employees should be given the option to opt out and/or in as they wish.

Contribution Rates

A maximum contribution rate should be set by law. Contribution rates should be allowed to vary by plan as this will encourage flexibility and innovation. Employers and employees should be given the option to change their own rate of contribution.

Employees leaving their employer should be given the opportunity to transfer their PRPP to their new employer. Employers should not have any responsibilities related to former employees.

Eligible Administrators

Our understanding is that PRPPs will be offered by regulated financial institutions. While the regulations governing PRPPs should encourage competition and choice in provider, all entities permitted to offer PRPPs should have comparable responsibilities and obligations in their dealings with participating employees and employers.

Administration

PRPPs should be offered to all employers on similar terms, although there may be a need for different stipulations to accommodate individuals participating without an employer.

Disclosure

Disclosure of costs to employers and employees should be clear and simple. Employers should be able to easily compare plan features and costs. The duties and responsibilities of the employer should also be clear.

Duty of the Administrator

The PRPP should be designed to ensure that PRPPs operate in the interests of plan members and employers. The PRPP should be designed to ensure that there are a variety of plans so that employers can choose the plan that will be most valued by their employees. Employees should be given sufficient information so that they can understand the plan features, the investment choices, costs and benefits in order to make informed decisions about whether to participate and how to invest.

The PRPP should be designed to minimize risks to plan members and employers.

Regulators should supervise PRPPs using a model similar to that suggested in the report of the Joint Expert Panel on Pension Standards commissioned by the governments of Alberta and British Columbia. This would allow PRPP innovation and improvement, while ensuring administrators and participants are aware of risks and manage them prudently.

Harmonization

Harmonization of retirement savings regulations across federal, provincial and territorial jurisdictions is essential. Employers operating in multiple jurisdictions should be permitted to offer a one plan with one set of rules. Costs will be lower if there is a harmonized framework as administration costs will be lower and scale will be larger. Harmonization will also facilitate competition and ensure that all Canadians have access to multiple plans on the same terms.

The Canadian Chamber also supports measures that would improve and simplify the regulatory framework for those pensions and group retirement savings plans in which millions of Canadians are already saving.

The Canadian Chamber appreciates the opportunity to contribute to your consultation. We hope you find our submission helpful.

Sincerely,



Warren Everson
Senior Vice-President, Policy

c.c.: Hon. Ted Menzies, Minister of State (Finance)